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AGRICULTURAL EXPORTS ARE BECOMING MORE IMPORTANT TO U.S. AGRICULTURE

by

Robert L. Tontz and Isaac E. Lemon

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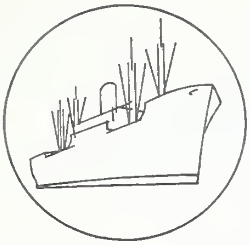

SPECIAL in this issue

AGRICULTURAL EXPORTS ARE BECOMING MORE IMPORTANT TO U.S. AGRICULTURE

by

Robert L. Tontz and Isaac E. Lemon [1]

Several indicators point to the increasing importance of the export market to U.S. agriculture. Some of the more important indicators include the rising magnitude of U.S. agricultural exports, the growing percentage of commodity sales and production exported, the expanding share of the farm dollar coming from exports, and the significant increase in number of States reporting larger agricultural exports.

Rising Magnitude of Exports

Exports of agricultural commodities have played a major role in the Nation's economic life since colonial times. In the last half-century the value of exports declined for several years as a result of trade restrictions following World War I. Since the mid 1950's, however, positive trade expansion policies and programs have pushed the value of exports to a succession of new records.

The post World War I low in U.S. agricultural exports was registered in 1940/41, largely because of the new war in Europe. In that year U.S. agricultural exports equaled $350 million. Since 1953/54 -- the year preceding implementation of Food for Freedom exports and one of the lowest export years after World War II -- U.S. agricultural exports have trended sharply upward. In 1953/54, U.S. agricultural exports stood at $2.9 billion -- much improved over the 1940/41 post World War I low, but much below current values. U.S. agricultural exports reached a record $6.7 billion in fiscal year 1965/66, and in July-December were at an annual rate of over $7 billion for the current fiscal year ending in June 1967.

Although the export value of U.S. agricultural products in the current fiscal year ending in June is expected to benefit from rising prices as well as increased volume compared to a year earlier, the gain in U.S. agricultural exports since the early years of Public Law 480 has been achieved despite price declines. During the 12-year period ending in 1965, U.S. agricultural exports had a 6 percent greater gain in volume (based on constant prices) than in value (based on actual prices). Quantity increases in exports for such major U.S. export commodities as wheat, corn, sorghum grains, barley, soybeans, and rice more than offset the price declines and resulted in the greater gain in export volume.

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[1] Chief and Agricultural Economist, respectively, Trade Statistics and Analysis Branch, Foreign Development and Trade Division, Economic Research Service. The authors gratefully acknowledge the helpful suggestions of Hans G. Hirsch, Agricultural Economist of the Branch and Harry W. Henderson, Assistant Director, International Programs, Foreign Agricultural Service.

The United States is also assuming an increasingly significant role in world agricultural trade relative to other countries. In fiscal year 1965/66, the United States contributed one-fifth of the world's agricultural exports, compared with one-tenth of the total in 1953/54.

Although Public Law 480 has made possible the sharing of U.S. abundance with less fortunate friends abroad, it has also contributed to economic development and aided U.S. commercial sales for dollars. Approximately three-fourths of the gain in total U.S. agricultural exports has resulted from increased commercial sales for dollars since the implementation of P.L. 480 shipments. Commercial sales for dollars in fiscal year 1965/66 exceeded total U.S. agricultural exports in 1953/54 by $2.1 billion.

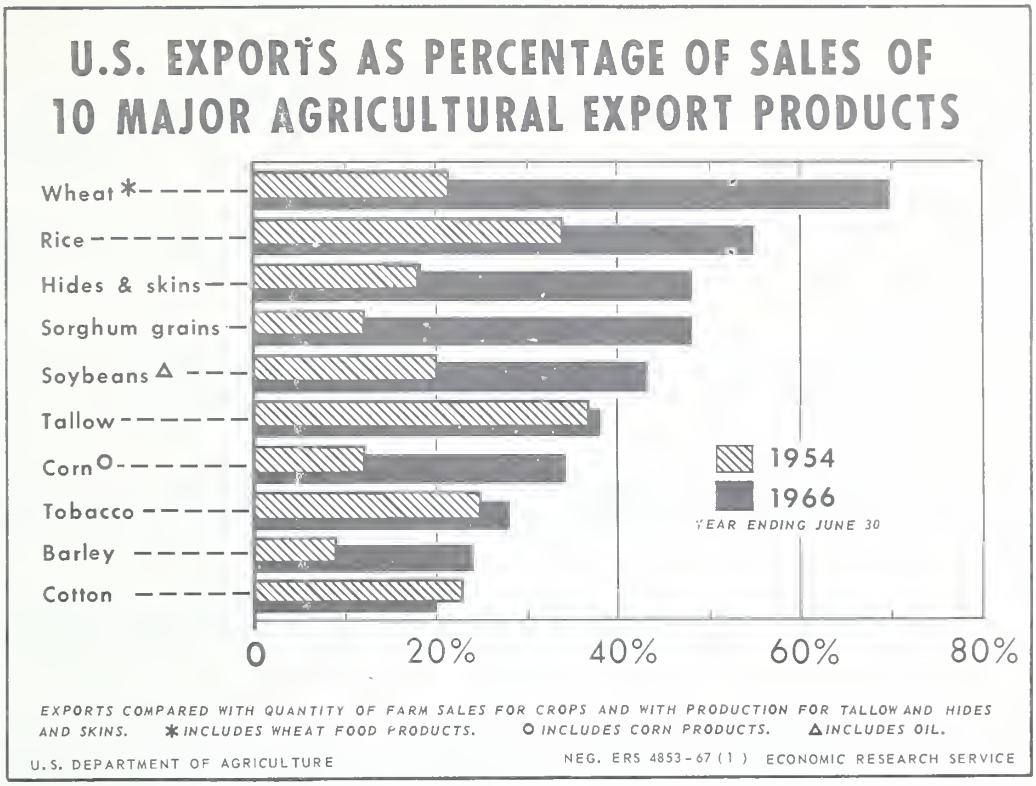
Most of the gain in commercial sales for dollars from 1954/55, the first year of shipments under P.L. 480, to 1965/66 came from substantial increases in exports of feed grains and oilseeds and products, along with gains in wheat and wheat flour, animal products except dairy, fruits and preparations, and rice. Feed grains and oilseeds alone accounted for over three-fifths of the total gain; the other enumerated commodities one-fifth; and other commodities the remainder. At the same time, over four-fifths of the increase in total Government-financed program exports resulted from increases in wheat and flour exports.

The increase in U.S. agricultural exports resulting from a substantial gain in commercial sales for dollars has been achieved without a relative increase in export payment assistance. Commercial sales for the 3-year period 1963-66 totaled $14 billion. Of this total, $3.6 billion or 26 percent benefited from export payment assistance -- the same percentage as for 1955-57, the first 3 years of Public Law 480.

Growing Percentage of Sales and Production Exported

American producers of agricultural commodities are much more dependent today on the export market than they were near the beginning of the Public Law 480 program in 1953/54. The growing importance to American producers of the agricultural export market is indicated by figures on U.S. exports as a percentage of quantity of crop sales and production of animal products. These percentages ranged from nearly 20 for cotton to 70 for wheat in fiscal year 1965/66. Except for cotton, tallow, and tobacco, the percentages were much larger in fiscal year 1965/66 than in 1953/54 (fig. 1).

Figure 1



Another illustration of the growing dependence of farm output on the export market is shown by the increased acreage used to produce for the export market. The harvest from 78 million acres was exported in 1965/66; this was two and one-half times the acreage used for exports in 1953/54. The relative significance of the export acreage has increased even more as U.S. harvested acreage has declined. One-fourth of the Nation's harvested acreage produced for the foreign market in 1965/66. This compares with about 9 percent 12 years earlier.

Expanding Share of Dollar

The degree of dependence of U.S. agriculture on the export market -- measured by exports as a percentage of cash receipts from farm marketings -- is increasing. For the United States as a whole, the extent of dependence on the export market by farmers in fiscal year 1965/66 was 17 cents out of every U.S. farm market dollar. In 1959/60, it was 14 cents; while in 1953/54, the degree of dependence was 10 cents out of every farm market dollar. The increasing share of the farm market dollar that comes from exports for the Nation and the individual States is summarized in table 1.

High dependence on the export market is becoming more widespread among the States. In 1965/66, 20 of the 50 States received from farm exports 15 cents or more of each dollar of cash receipts from farm marketings. In 1959/60, 14 of the States were in this group; while in 1953/54, only 5 States received 15

Table 1.--U.S. agricultural export shares as percentage of cash receipts from farm marketings, by States and Regions, years ending June 30, 1954, 1960, and 1966

Region and State	Cash receipts from farm marketings 1/			Agricultural export shares 2/			Agricultural export shares as percentage of cash receipts		
	1954	1960	1966	1954	1960	1966	1954	1960	1966
	-- Million dollars --						-- Percent --		
NEW ENGLAND	734.4	684.2	805.4	16.0	25.4	34.3	2.2	3.7	4.3
Maine	166.4	180.7	282.7	3.9	11.2	14.8	2.3	6.2	5.2
New Hampshire	69.2	56.8	53.0	0.8	1.0	1.2	1.2	1.8	2.3
Vermont	110.4	123.8	128.6	1.2	1.4	1.9	1.1	1.1	1.5
Massachusetts	187.1	154.7	166.7	4.2	4.8	6.1	2.2	3.1	3.7
Rhode Island	23.5	21.6	21.2	0.4	0.5	0.3	1.7	2.3	1.4
Connecticut	177.8	146.6	153.2	5.5	6.5	10.0	3.1	4.4	6.5
MIDDLE ATLANTIC	1,977.8	1,912.9	2,030.3	90.4	134.0	169.4	4.6	7.0	8.3
New York	851.0	846.3	939.0	45.4	63.4	74.3	5.3	7.5	7.9
New Jersey	346.2	286.5	265.4	12.5	17.5	20.9	3.6	6.1	7.9
Pennsylvania	780.6	780.1	825.9	32.5	53.1	74.2	4.2	6.8	9.0
EAST NORTH CENTRAL	5,869.6	5,709.5	6,851.2	426.0	702.9	1,395.4	7.3	12.3	20.4
Ohio	1,043.4	940.3	1,113.4	83.1	129.5	218.7	8.0	13.8	19.6
Indiana	1,110.2	1,031.8	1,298.0	77.7	135.0	317.3	7.0	13.1	24.4
Illinois	1,951.1	1,964.8	2,400.6	165.1	302.8	666.0	8.5	15.4	27.7
Michigan	712.0	687.9	789.4	51.7	76.8	110.4	7.3	11.2	14.0
Wisconsin	1,052.9	1,084.7	1,249.8	48.4	58.8	83.0	4.6	5.4	6.6
WEST NORTH CENTRAL	7,769.1	8,544.6	9,828.5	524.7	998.1	1,785.3	6.8	11.7	18.2
Minnesota	1,279.4	1,388.7	1,590.3	87.4	156.5	240.5	6.8	11.3	15.1
Iowa	2,374.9	2,397.3	3,009.5	103.8	211.0	426.1	4.4	8.8	14.2
Missouri	1,031.4	1,106.4	1,241.1	81.0	150.9	204.3	7.9	13.6	16.5
North Dakota	472.3	581.3	664.7	54.8	85.7	205.6	11.6	14.7	30.9
South Dakota	529.3	623.1	757.1	31.6	33.1	84.3	6.0	5.3	11.1
Nebraska	1,120.3	1,235.6	1,355.3	72.8	135.4	232.3	6.5	11.0	17.1
Kansas	961.5	1,212.2	1,210.5	93.3	225.5	392.2	9.7	18.6	32.4
SOUTH ATLANTIC	3,427.5	3,768.9	4,607.9	467.6	582.0	738.4	13.6	15.4	16.0
Delaware	106.1	103.2	128.3	7.3	11.2	17.7	6.9	10.9	13.8
Maryland	268.2	263.8	328.3	15.3	25.5	40.9	5.7	9.7	12.5
Virginia	460.0	454.7	513.2	42.1	58.3	78.6	9.2	12.8	15.3
West Virginia	119.1	108.6	105.5	3.5	5.8	6.4	2.9	5.3	6.1
North Carolina	922.0	946.3	1,189.6	217.2	251.7	306.0	23.6	26.6	25.7
South Carolina	377.4	349.7	418.1	71.0	76.4	95.7	18.8	21.8	22.9

-- Continued

Table 1.--U.S. agricultural export shares as percentage of cash receipts from farm marketings, by States and Regions, years ending June 30, 1954, 1960, and 1966 -- Continued

Region and State	Cash receipts from farm marketings 1/			Agricultural export shares 2/			Agricultural export shares as percentage of cash receipts		
	1954	1960	1966	1954	1960	1966	1954	1960	1966
	-- Million dollars --						-- Percent --		
SOUTH ATLANTIC CONTINUED									
Georgia	629.6	718.0	945.5	74.4	87.0	108.6	11.8	12.1	11.5
Florida	545.1	824.6	979.5	36.8	66.1	84.5	6.8	8.0	8.6
EAST SOUTH CENTRAL	2,112.7	2,252.5	2,798.7	240.4	326.5	369.2	11.4	14.5	13.2
Kentucky	545.1	570.8	702.8	31.9	45.6	73.6	5.9	8.0	10.5
Tennessee	482.2	522.5	622.8	55.1	93.9	111.7	11.4	18.0	17.9
Alabama	425.8	517.1	660.6	52.5	62.5	57.2	12.3	12.1	8.7
Mississippi	659.6	642.1	812.5	100.9	124.5	126.7	15.3	19.4	15.6
WEST SOUTH CENTRAL	3,410.4	4,025.2	4,611.3	509.8	802.5	966.9	14.9	19.9	21.0
Arkansas	568.8	730.3	915.5	108.3	174.1	200.8	19.0	23.8	21.9
Louisiana	400.9	382.0	484.8	78.5	76.0	98.9	19.6	19.9	20.4
Oklahoma	556.0	619.1	740.7	57.5	105.1	181.8	10.3	17.0	24.5
Texas	1,884.7	2,293.7	2,470.3	265.5	447.3	485.4	14.1	19.5	19.6
MOUNTAIN	2,128.3	2,520.7	2,830.1	185.0	283.1	365.2	8.7	11.2	12.9
Montana	371.2	426.1	420.5	46.9	65.4	126.6	12.6	15.3	30.1
Idaho	346.4	430.0	526.1	26.8	46.6	80.9	7.7	10.8	15.4
Wyoming	128.0	166.1	173.6	3.4	6.9	5.2	2.7	4.2	3.0
Colorado	476.5	601.3	728.2	28.5	59.4	56.9	6.0	9.9	7.8
New Mexico	192.7	259.6	258.0	16.0	24.6	22.5	8.3	9.5	8.7
Arizona	421.5	424.9	506.3	53.7	65.6	55.6	12.7	15.4	11.0
Utah	151.9	159.5	166.8	9.4	13.4	17.1	6.2	8.4	10.3
Nevada	40.1	53.2	50.6	0.3	1.2	0.4	0.7	2.3	0.8
PACIFIC	3,571.7	4,093.0	5,012.3	444.8	608.0	724.2	12.5	14.9	14.4
Washington	533.0	545.0	636.8	63.6	93.6	154.6	11.9	17.2	24.3
Oregon	393.4	428.7	476.5	26.9	42.3	64.6	6.8	9.9	13.6
California	2,645.3	3,119.4	3,710.0	354.3	472.1	485.2	13.4	15.1	13.1
Hawaii	NA	NA	184.6	NA	NA	19.8	NA	NA	10.7
Alaska	NA	NA	4.4	---	---	---	NA	NA	---
Not Allocated	---	---	---	31.2	54.3	132.6	---	---	---
UNITED STATES	31,001.5	33,511.5	39,375.8	2,935.9	4,516.8	6,680.9	9.5	13.5	17.0

1/ Cash receipts from marketings for calendar years 1953, 1959, and 1965, Farm Income Situation (FIS-203 Supplement) August 1966, pp. 15-43. Details may not add to totals because of rounding. 2/ Compiled from "U.S. Agricultural Export Shares by Regions and States, Fiscal Year 1965-66" by Robert L. Tontz and Isaac E. Lemon reprinted from Foreign Agricultural Trade of the United States (November 1966), ERS-Foreign-174. 3/ NA Not Available.

cents or more. On the other hand, only 6 States in fiscal year 1965/66 received from farm exports less than 5 cents of each dollar of cash receipts from farm marketings in contrast to 13 States in 1953/54 (fig. 2).

More States Reporting Larger Agricultural Exports

A pronounced increase has occurred in the past 12 years in the number of States reporting higher agricultural export shares. In fiscal year 1965/66, 20 of the 50 States exported at least $100 million in farm products; 14 States exported between $50 and $99 million; and 16 States exported less than $50 million. Six years earlier in 1959/60, only 14 States exported more than $100 million; 16 States were in the middle category; and 20 States exported less than $50 million. Back in 1953/54, only 7 States exported more than $100 million and 27 States exported less than $50 million in farm products (fig. 3).

Interpretation of Shares

The agricultural export values presented in table 1 indicate the shares of the individual States in the export market, based on exports that might be attributable to each of them rather than actual exports. [2]

Export values including those attributable to the States reflect the value of U.S. agricultural commodities at the port of exportation and are based on the selling price (or cost if not sold), and include inland freight, insurance, and other charges to the port.

For U.S. commodities that do not receive export payment assistance -- roughly three-fifths of total U.S. agricultural exports -- the price f.a.s. (freight alongside ship) at U.S. ports is generally higher than an interior domestic price for a market nearer the area of production, by approximately the cost of moving the commodity to the U.S. port, including freight, insurance, and handling charges.

Soybeans, for example, represent one of the principal commodities for which no export payment is made. The average price received by producers as recorded in the cash receipts figure for Illinois, the leading State for soybean production, was $2.52 per bushel in 1965. This included the cost of transporting the beans to market. The average price per bushel of U.S. soybean exports in 1965 was $2.86 or 34 cents higher than the average price received by Illinois producers. Besides soybeans, other major commodities that did not receive export payment assistance in 1965/66 included most oilseed products, most feed grains, tobacco, animal products except certain dairy products, and fruits and vegetables.

Commodities for which domestic market prices are maintained above world prices by means of price supports may receive export payments or may be sold from Government-owned stocks at less than domestic market prices. Principal export commodities that received export payment assistance in 1965/66 were wheat and

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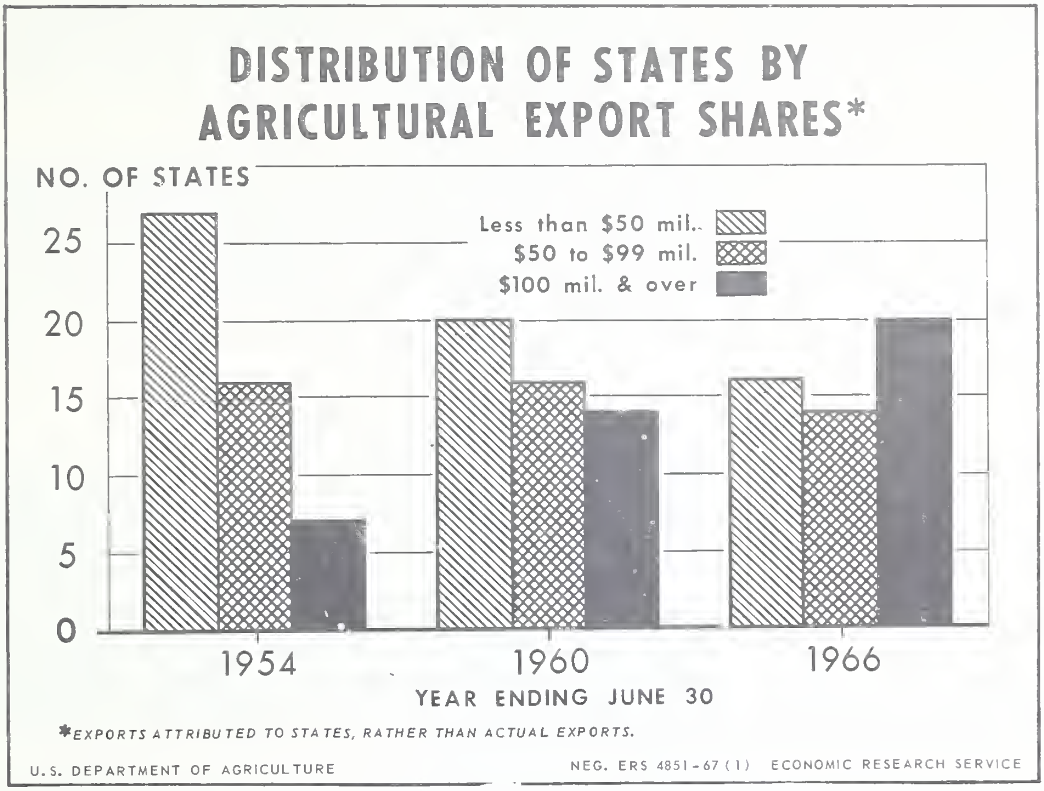
[2] Robert L. Tontz and Isaac E. Lemon, U.S. Agricultural Export Shares by Regions and States, Fiscal Year 1965-66, Economic Research Service, Foreign 174, November 1966, pp. 7-10.

Figure 2



*EXPORTS ATTRIBUTED TO STATES, RATHER THAN ACTUAL EXPORTS.

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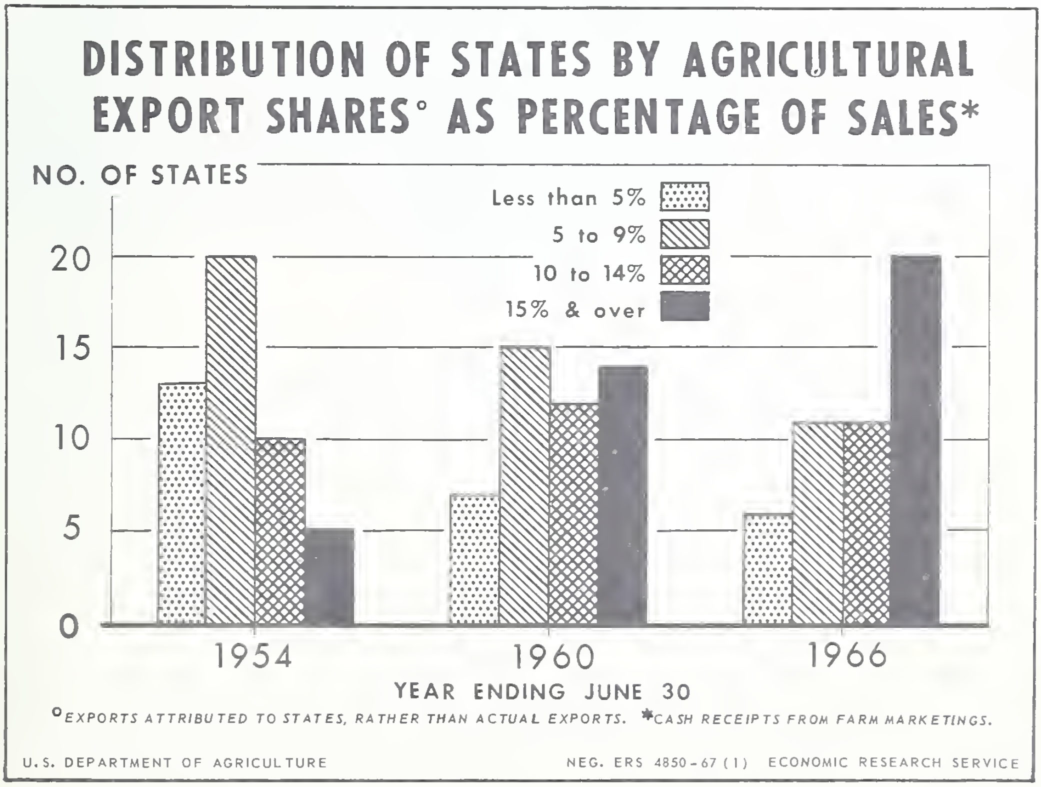
Figure 3



°EXPORTS ATTRIBUTED TO STATES, RATHER THAN ACTUAL EXPORTS. *CASH RECEIPTS FROM FARM MARKETINGS.

U.S. DEPARTMENT OF AGRICULTURE NEG. ERS 4850-67 (1) ECONOMIC RESEARCH SERVICE flour, cotton, and rice. Export payments or "payment equivalents" for these commodities were designed to make export prices of U.S. commodities competitive with prices of foreign-produced commodities by bridging the gap between higher domestic prices at the port and lower foreign prices. The export payment is not included in the export value of the commodity.

Cash receipts represent a measure of agricultural income received from products sold by producers in those markets which are located near the specialized areas of production. Comparisons of values of U.S. agricultural export shares with cash receipts from farm marketings are not precise measures of the share of income producers get from the export market. Such measures are useful, however, as approximations of the share of the cash receipts dollar that is obtained from exports.

Implications for U.S. Agriculture

If other countries acted to impose new restrictions on U.S. agricultural exports, the U.S. domestic market would soon suffer from over-supply. Burdensome surpluses would develop before agricultural production could be curtailed. Moreover, such curtailment is difficult and painful, as past efforts have demonstrated. Experience has shown that agricultural production is easier to maintain or to expand than to contract. Further, reduction of U.S. agricultural exports from the highly interdependent U.S. economy would tend to reduce employment generally. This in turn would reduce the buying power for the products of the American farmer in the domestic market.

Increasing U.S. agricultural exports in the future above present high levels would enable U.S. agriculture to benefit from the fruits of greater specialization and technological improvements. Specialization within the Nation in accordance with the principle of comparative advantage has increased the prospects of the States of gaining from an expanding foreign market by permitting increased national production on a more efficient basis. Clearly the prosperity of American agriculture and the well-being of the American urban population are strengthened by the expansion of the nationwide and foreign market made possible by relatively free trade among the States and with foreign countries.